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Agenda Item 7

November 15, 2011

TO: MEMBERS OF THE HEALTH BENEFITS COMMITTEE

- I. **SUBJECT:** Self-Funded Health Plans Second Quarter 2011 Financial Report
- II. **PROGRAM:** Benefit Programs Policy and Planning
- III. **RECOMMENDATION:** Information
- IV. **ANALYSIS:**

This report is to provide the Health Benefits Committee with an update on the financial status for the six CalPERS Self-Funded Preferred Provider Organization (PPO) health plans for the quarter ending June 30, 2011.

At the end of the second quarter of 2011, the overall combined loss ratio for the self-funded health plans was five (5) percent above break-even. This compares to eight (8) percent above break-even at the end of calendar year 2010, and one (1) percent above break-even for the first six (6) months of 2010. There was an overall underwriting loss of \$45.5 million for all six self-funded health plans.

Assets for the program are currently \$603.0 million, which is an increase of \$50.2 million from the assets at the end of 2010. \$42.6 million of that increase is due to the reimbursement from the Federal government under the Early Retiree Reinsurance Program.

Total reserves for the program are \$433.7 million, which is an increase of \$27.9 million over the reserves at the end of 2010. Assets above the actuarial reserve requirements are \$169.3 million, which is an increase of \$22.3 million for the first six (6) months of the year. Overall, the self-funded health plans have a ratio of assets to reserves of 139 percent.

In summary, the overall financial position of the self-funded health plans remains stable. The ongoing financial results for the program assets are positive, providing assurance that the rates approved by the Board for the 2011 plan year were sufficient to fund benefits and to maintain adequate reserves.

Attachments 1 through 7 provide key graphical analyses of financial and historical data. Appendices A, B, C, D, and E display background data used to generate the analyses in Attachments 1 through 7.

Attachment 1

This attachment presents the loss ratios for each plan. All plans except PERS Select Basic had underwriting loss ratios in excess of 100 percent.

Attachment 2

This attachment displays summary results for the underwriting gain or loss. All plans except PERS Select Basic produced underwriting losses.

Attachment 3

This attachment presents the per-member-per-month (PMPM) medical and pharmacy claims costs for the last 13 quarters beginning with the second quarter of 2007.

Attachments 4a and 4b

These attachments display the medical and pharmacy trends. In the basic plans, shown in Attachment 4a, the PERSCare medical trend has been decreasing since April, 2010, but started to increase in the last three months. The PERS Choice medical trend has increased during the first six (6) months of 2011. The pharmacy trend for both Care and Choice decreased during the first six (6) months. The PERS Select trend has decreased significantly during the first six (6) months for both medical and pharmacy. For the supplemental plans, shown in Attachment 4b, the medical trends increased slightly and the pharmacy trends are decreasing.

Attachment 5

This attachment presents assets and reserves for the self-funded health plans. Assets exceed reserves for all plans except the PERS Choice Supplement to Medicare plan and the PERS Select Supplement to Medicare plan. Total program assets exceed total program reserves by \$169.3 million.

Attachment 6

This attachment highlights the relative strength of the assets compared to the actuarial reserve. The overall levels of the assets in the self-funded health plans remain positive and indicate that assets and reserves are adequate to cover program liabilities.

Attachment 7

This attachment shows the overall enrollment trends for the six (6) self-funded health plans. Enrollment in PERSCare Basic continues to decline as enrollment has shifted to PERS Choice and PERS Select. Overall, the enrollment in 2011 is about 3.5 percent higher than 2010 enrollment.

V. STRATEGIC PLAN:

This agenda item directly relates to Strategic Goal #10: Develop and administer quality, sustainable health benefit programs that are responsive to and valued by enrollees and employers.

VI. RESULTS/COSTS:

There is no cost associated with this agenda item.

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Attachments